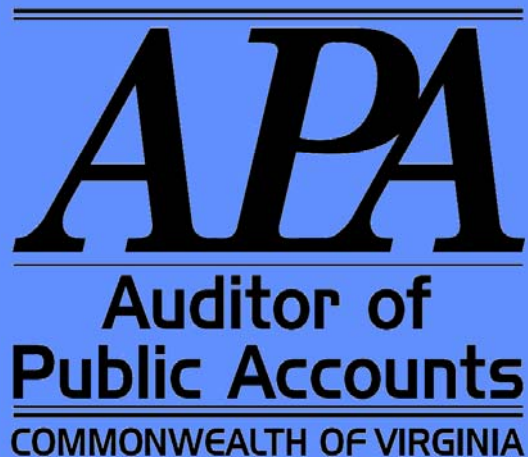


VIRGINIA COMMISSION FOR THE ARTS

**REPORT ON AUDIT
FOR THE PERIOD
JULY 1, 2007 THROUGH JUNE 30, 2009**



AUDIT SUMMARY

Our audit of the Virginia Commission for the Arts for the two-year period ended June 30, 2009, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no matters involving internal control and its operations necessary to bring to management's attention; and
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

-TABLE OF CONTENTS-

	<u>Pages</u>
AUDIT SUMMARY	
AGENCY INFORMATION AND FINANCIAL HIGHLIGHTS	1-2
INDEPENDENT AUDIT REPORT	3-4
AGENCY OFFICIALS	5

AGENCY INFORMATION AND FINANCIAL HIGHLIGHTS

The Virginia Commission for the Arts (Commission) provides financial assistance for arts activities and advisory services to artists, arts organizations, and others interested in the arts. The Commission's funds come from Virginia's General Fund and grants from the National Endowment for the Arts, a federal agency.

The Governor appoints the Director and thirteen commissioners, who have five-year appointments with confirmation by the General Assembly. There must be at least one Commissioner, and no more than two from each congressional district. The Commissioners meet quarterly to review and approve the grants awarded by the Commission and serve as advisors to the Director.

Seven regional and six statewide advisory panels help the Commission make decisions on grant applications. The panelists also evaluate activities funded by the Commission and make recommendations regarding the Commission's policies and procedures. Each panel consists of seven to nine members appointed by the Commission. The panelists represent a variety of arts disciplines and cultural perspectives, and serve a one-year term with the opportunity to serve a maximum of three years.

The Commission has a staff of six people, located in Richmond. The staff have responsibilities for processing and reviewing grant applications, monitoring the organizations and artists that receive awards. The staff also provide a variety of workshops to arts organizations and artists.

The Commission's general fund appropriations decreased by 15 percent between fiscal years 2008 and 2009. This reduction was part of the Governor's Budget Reduction Plan for fiscal year 2009. The increase in Dedicated Special Revenue for fiscal year 2009 resulted from the appropriation of interest accumulated during the prior fiscal year. The increase in the Federal Fund budget results from the use of unspent prior year funds of \$24,382 that the Commission planned to use in fiscal 2009. The decrease in Federal Fund expenditures in 2009 resulted from the Commission withholding federal stimulus funds in order to expend these funds within the first two weeks of fiscal year 2010.

Proceeds from the sale of "Virginians for the Arts" specialty license plates by the Department of Motor Vehicles, and a check-off on state income tax allows taxpayers to designate a portion of their refund to support arts in Virginia, comprise special revenue. The final revenue stream for the Commission consists of funds awarded by the National Endowment for the Arts, a federal agency.

<u>Analysis of Budgeted and Actual Expenses</u>						
	<u>2009</u>			<u>2008</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenses</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenses</u>
General fund						
appropriations(0100)	\$6,218,449	\$5,280,743	\$5,280,738	\$6,373,970	\$6,230,916	\$6,230,916
Special revenue fund (0200)	15,000	15,000	-	-	12,035	12,035
Dedicated special						
revenue (0910)	-	23,203	-	-	23,203	23,203
Federal (1000)	<u>805,373</u>	<u>829,755</u>	<u>705,591</u>	<u>577,700</u>	<u>805,373</u>	<u>780,991</u>
Total	<u>\$7,038,822</u>	<u>\$6,148,701</u>	<u>\$5,986,329</u>	<u>\$6,951,670</u>	<u>\$7,071,527</u>	<u>\$7,047,145</u>

The amount included in the Governor's Budget Reduction Plan was \$928,725, which we detail below.

Reduce funding for technical assistance grants	\$10,000
Eliminate financial assistance for the touring performing artists program	20,000
Eliminate funding for workshops for arts organizations	12,000
Reduce grant awards payments	604,302
Reduce grant funding through attrition	60,000
Reduce funding for programs to Virginia arts organizations	114,423
Reduce funding for the "Writers in Virginia" grant program	3,000
Eliminate administrative costs for Heritage Awards	5,000
Reduce technology enhancement grant funds	10,000
Eliminate "Teacher Incentive" grants	<u>90,000</u>
Virginia Commission for the Arts Total	<u><u>\$928,725</u></u>

As a result of decreased funding, the Commission's expenses decreased by 15 percent between fiscal years 2008 and 2009.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

August 11, 2009

The Honorable Timothy M. Kaine
Governor of Virginia
State Capital
Richmond, Virginia

The Honorable M. Kirkland Cox
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We have audited the financial records and operations of the **Commission for the Arts** (Commission) for the period July 1, 2007 through June 30, 2009. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Objectives

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Commission's internal controls, and test compliance with applicable laws and regulations.

Audit Scope and Methodology

The Commission's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

Revenue
Expenses
Grant Awards
Payroll

We performed audit tests to determine whether the Commission's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the Commission's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

Conclusions

We found that the Commission properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Commission records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Exit Conference and Report Distribution

We discussed this report with management on August 12, 2009.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

AWP/clj

VIRGINIA COMMISSION FOR THE ARTS

Peggy J. Baggett
Executive Director

Foster J. Billingsley
Deputy Director

COMMISSIONERS

Dr. Lucius F. Ellsworth
Commission Chairman

David W. Briggs	Evelia Gonzalez Porto
Nicholas J. Covatta	Jacquelyn E. Stone
Dr. Gwen Everett	William F. Trinkle
Susan B. Hirschbiel	Deborah H. Valentine
Ann Edwards Rust	Vaughan Webb
	Deborah Wyld